

App. F. IX-4

Previous References

L.M. 30-31 (1-6)

1930-1
(L.M.)

File No. 30-31

Serial Nos. 7

Preserve

Later References

~~L.M. 30-31~~

L.M. 11-33 (1-2)

L.M. 7-35 (1-5)

General and Revenue Secretariat.

Serial Nos. 002

Part B for AMB. 27

SUBJECT.

Formation of a sinking fund for the redemption
- of debentures of L.M. bank.

L.M. 1001-3 & M. J. 27

to

24.11.35. i. Comp
to Govt

President L.M.
bank

State. The question of

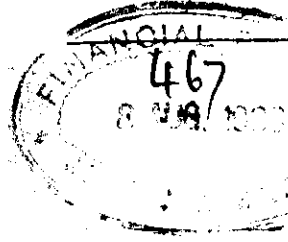
may be brought up again when
the next issue of debentures are proposed to
be issued by the bank

General and Revenue
Secretariat

File No.

78

of 1933.

Serial
No.

FORMATION OF A SINKING FUND FOR THE REDEMPTION OF
DEBENTURES RAISED BY THE MYSORE COOPERATIVE LAND MORT-
GAGE BANK LTD., BANGALORE CITY.

Extract from the 3/8 in
~~EXTRACT FROM~~ L M FILE ~~730~~ of 1931 (42, 1 to 6)

First Member's Minute dated 10-5-33: —

"Discussed. Messrs K R Srinivasiengar, the Development
Secretary and the Financial Secretary were present.

* * * * *

4. The question of the need for a sinking fund will
be considered by the Financial Secretary

* * * * *

Financial Secretary's remarks dated 14-6-33

"A separate note will be submitted regarding Sinking
Fund".

The President originally suggested that for a period
of ten years the amounts of loan amounts recovered should
be made available for the grant of fresh loans and he
was ~~replied~~ replied that this would be permitted if arrange-
ments were made to constitute a sinking fund. The pre-
sent suggestions of the President are

(i) A sinking fund may be formed by the Bank paying
into the hands of the Trustee for credit to this fund
the amount creditable towards principal out of the equal
instalments payable by the recipients of loans.

(ii) The interest realised will be credited to the
Bank in order to enable it to pay the interest on debentures
and also ^{to} meet the Bank's working expenses as far as
possible.

In the course of discussion, the question of the
need for the formation of a sinking fund is required to be
considered.

Note—Contn. Sheet.

Σ and 7

27

Since Government have guaranteed the repayment of the Debentures at maturity, it is the duty of the Trustee (Comptroller) to see that the Bank fulfils its obligations to the Debenture holders. Kind reference is invited to Rules 28 to 36 of the Byelaws of the Bank and Rule 2 of the Rules issued with Govt Notification No. G 5929 L M 4-29-4 dated 11th November 1929. It has been laid down that whenever a Trustee is appointed by Government the Bank shall if so required by the Trustee transfer to him its right in the mortgages on the securities of which debentures are issued and that the Bank shall also credit to an account opened in the Trustee's name in such other Bank as may be approved by him all recoveries made from members of the Bank under the terms of their mortgages, whether through equated payments or on redemption or upon sale. Under this arrangement, the Debentures are fully secured. The Trustee has also to see that the Bank has got sufficient funds to discharge these debentures at maturity. If no sinking fund is formed and if the amounts recovered from the creditors are utilised for the grant of fresh loans, there may not be sufficient cash to repay these debentures at the time of maturity. The President states that ~~considering that~~ ^{as} there will be ample security for all loans issued by the Bank and that so long as the Bank enjoys the confidence of the Government and the public, it should not be difficult for the Bank to raise a fresh debenture at any time for repayment of previous debentures, ^{and} Government will be incurring no risk ^{whatever} by allowing the recoveries made by the Bank towards the

Serial
No.

loan instalments due from its members to be invested on
fresh loans without providing for a sinking fund. However
sound the institution may be, it is very necessary that
sufficient liquid reserves should be built up by it for
meeting the obligations of the Bank from time to time with-
out ~~anticipating~~ counting upon fresh borrowings ~~at least~~
wholly.

Kind reference is invited to para 4(j) of the Brochure
on the Madras Co-operative Central Land Mortgage Bank Ltd.
It has been stated therein that "to secure the debenture
holders against ultimate loss, a Debenture redemption fund
has been opened into which all payments made by the pri-
mary Banks are paid and that the fund is administered under
the general direction of the Trustee and particulars of
the redemption fund will be found in the Trust deed. The
formation of a sinking fund in regard to the debentures of
the Mysore Cooperative Mortgage Bank is therefore very
necessary.

The Debenture of three lakhs of rupees (of which one
lakh represents Government subscription not completely
drawn) so far raised represents only the first series of
Debentures, and they are intended as working capital for
the grant of loans and the Bank ~~will~~ ^{may} have to issue further
series according to their requirements, ~~since~~ The Bank is
²⁴⁰ authorised to raise loans to the extent of 20 lakhs (Byelaw
28). When the amount of loan ^{so far} raised is found ⁱⁿ⁻sufficient
and the question of raising further loans is under con-
sideration or under contemplation, there appears to be no
need for ^{the} immediate formation of a sinking fund for the

C.7 File No.

78

467

of 1933

General and Revenue
Secretariat

loan already raised, ~~and~~ especially when the Debentures raised are redeemable at par only in the year 1960.

In these circumstances, it is suggested that the Bank need not now be pressed to form a sinking fund for the first series of Debentures and that the question be raised ^{again} and settled when the Bank proposes to raise the further series of debentures.

The Comptroller may also be consulted.

Submitted

11-8-33

H. Seery) 88
8/8/33.

I consider that the formation of a sinking fund is quite necessary to enable the discharging the debentures, when they mature. The question is to when it should be started and what should be the annual contribution to provide the discharge of the debentures on the date of maturity. The funds raised so far are disproportionate to the demand faced with the total expected demand. Some started to be required even inclusive of ^{plans} repayments for fresh advances. The question therefore will assume ~~the~~ practical dimensions only when the next instalment is a chief consideration to be received.

Secretary Dept. of Industries

12.8.33

Second Member.

12/8/33.

This question may be kept in mind when the next instalment is asked for.

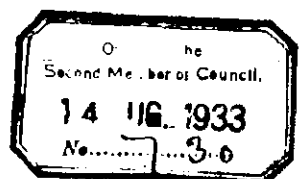
W.H.

14.8.33

18/8

This is to be sent to Government Branch 18/8 12/8/33

This about 27 years later 12/8/33



Serial
No.

It is for orders if the Regr. of C.S. ^{and the Comptroller} may be informed that the question of the formation of the sinking fund may be brought up again when the next series of debentures are proposed to be issued

mg
21/8

Dev: Secy)

CPO
21/8

Yps.
23.8.33. CPO
15/8

Draft made

mg
25/8/33

Issue
CPO
25/8

No. D. 1001-3 of 31.8.33

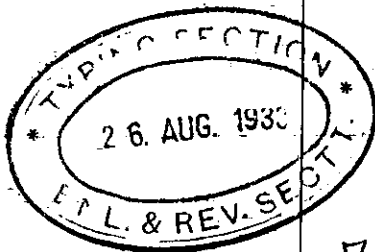
The Registrar of C.S.

The Comptroller to Govt.

The President R.M. Bank.

States that the formation of sinking fund for the redemption of debentures may be brought up when the next series of debentures are proposed to be issued.

B
mg
31/10



7.

SUBJECT

.....

Diary No. of letter replied to.....

General and Revenue Secretariat

()

the 193 .

Date of issue..... 31/8/33

Signed by *M. S.*

List of enclosures.....

Copied by.....

Examined by.....

Section L. m

File No. 30-31

Serial No. *D/1001-3*

No. *D/1001-3*

To

The Regr. of C.S.
The Comptroller & Genl
the Public L. m Bank

Sir,

In order of
reference to this office letter
no D6511/ L. m. 30-31-5 of 20/6/33,
I am directed to state that
the question of the formation of
a sinking fund for the redemption
of the debentures of the L. m Bank
may be brought up again when
the next series of debentures
are proposed to be issued by the
Bank—

I have &c

Suo 25/8
f. Dw. Secy

Copy to the H. Branch.
B.O.

Suo
f. Dw. Secy

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No.

D/1001-3

GENERAL AND REVENUE SECRETARIAT,

Dated, Bangalore, *27.11* 30th August 1933.

FROM

d.n. 30-31-7

The Secretary to the Government of His Highness the
Maharaja of Mysore.
Development Department.

To

1. The Government of Mysore, Mysore.
2. The Controller of Government.
3. The Secretary, Land Mortgage Bank, Bangalore.

SIR,

In continuation of this office letter No. D. 6511/L.M.
30-31-5, dated 20th June 1933, I am directed to state that
the question of the formation of a sinking fund for the
redemption of the debentures of the Land Mortgage Bank may be
brought up again when the next series of debentures are pro-
posed to be issue by the Bank.

I have the honor to be,
Sir,
Your most obedient servant,

G. Mallikarjuniah

For Secretary to Government,
Development Department.

m